



JOHN CHIANG
California State Controller

September 21, 2012

Chris Oram, Ed.D., Superintendent
National School District
1500 N Avenue
National City, CA 91950

Dear Dr. Oram:

The State Controller's Office reviewed the costs claimed by National School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004. Our review was limited to ensuring that the California Department of Education Standardized Testing and Reporting Program apportionment was properly offset.

The district claimed \$715,267 for the mandated program. Our review disclosed that \$608,911 is allowable and \$106,356 is unallowable. The costs are unallowable because the district understated offsetting reimbursements, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 1997-98 claim, the State made no payment to the district. Our review disclosed that \$45,038 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1998-99 claim, the State paid the district \$25,205 from funds appropriated under Chapter 724, Statutes of 2010. Our review disclosed that \$79,966 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$54,761, contingent upon available appropriations.

For the FY 1999-2000 claim, the State made no payment to the district. Our review disclosed that \$68,473 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the district \$110,070 from funds appropriated under Chapter 724, Statutes of 2010. Our review disclosed that \$101,064 is allowable. The State will apply \$9,006 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2001-02, the State made no payment to the district. Our review disclosed that \$81,042 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03, the State made no payment to the district. Our review disclosed that \$127,815 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04, the State made no payment to the district. Our review disclosed that \$105,513 is allowable. The State will pay that amount, contingent upon available appropriations.

We communicated the review results to Chris Carson, Assistant Superintendent of Business Services, via e-mail on August 20, 2012. Mr. Carson did not respond to our e-mail.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachments

RE: S13-MCC-900

cc: Chris Carson, Assistant Superintendent of Business Services
National School District
Randolph E. Ward, County Superintendent of Schools
San Diego County Office of Education
Scott Hannan, Director, School Fiscal Services Division
California Department of Education
Carol Bingham, Director, Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 1997, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 1,987	\$ 1,987	\$ —
Test materials, supplies, and equipment	260	260	—
Pre-test and post-test coordination	34,533	34,533	—
Reporting and recordkeeping	25,188	25,188	—
Total salaries and benefits	61,968	61,968	—
Materials and supplies:			
Test materials, supplies, and equipment	13,991	13,991	—
Total materials and supplies	13,991	13,991	—
Direct costs	75,959	75,959	—
Indirect costs	4,268	4,268	—
Total direct and indirect costs	80,227	80,227	—
Less offsetting reimbursements	—	(35,189)	(35,189)
Total program costs	<u>\$ 80,227</u>	45,038	<u>\$ (35,189)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 45,038</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 2,034	\$ 2,034	\$ —
Test materials, supplies, and equipment	266	266	—
Pre-test and post-test coordination	36,841	36,841	—
Reporting and recordkeeping	26,176	26,176	—
Total salaries and benefits	65,317	65,317	—
Materials and supplies:			
Test materials, supplies, and equipment	36,799	36,799	—
Total materials and supplies	36,799	36,799	—
Direct costs	102,116	102,116	—
Indirect costs	5,739	5,739	—
Total direct and indirect costs	107,855	107,855	—
Less offsetting reimbursements	—	(27,889)	(27,889)
Total program costs	<u>\$ 107,855</u>	79,966	<u>\$ (27,889)</u>
Less amount paid by the State ²		(25,205)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 54,761</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 2,084	\$ 2,084	\$ —
Test materials, supplies, and equipment	272	272	—
Pre-test and post-test coordination	37,998	37,998	—
Reporting and recordkeeping	27,463	27,463	—
Total salaries and benefits	67,817	67,817	—
Materials and supplies:			
Test materials, supplies, and equipment	5,032	5,032	—
Total materials and supplies	5,032	5,032	—
Direct costs	72,849	72,849	—
Indirect costs	4,095	4,095	—
Total direct and indirect costs	76,944	76,944	—
Less offsetting reimbursements	—	(8,471)	(8,471)
Total program costs	\$ 76,944	68,473	\$ (8,471)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,473</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 2,136	\$ 2,136	\$ —
Test materials, supplies, and equipment	279	279	—
Pre-test and post-test coordination	42,352	42,352	—
Reporting and recordkeeping	29,723	29,723	—
Total salaries and benefits	74,490	74,490	—
Materials and supplies:			
Test materials, supplies, and equipment	29,723	29,723	—
Total materials and supplies	29,723	29,723	—
Direct costs	104,213	104,213	—
Indirect costs	5,857	5,857	—
Total direct and indirect costs	110,070	110,070	—
Less offsetting reimbursements	—	(9,006)	(9,006)
Total program costs	\$ 110,070	101,064	\$ (9,006)
Less amount paid by the State ²		(110,070)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (9,006)</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 2,136	\$ 2,136	\$ —
Test materials, supplies, and equipment	279	279	—
Pre-test and post-test coordination	51,346	51,346	—
Reporting and recordkeeping	30,879	30,879	—
Total salaries and benefits	84,640	84,640	—
Materials and supplies:			
Test materials, supplies, and equipment	61	61	—
Total materials and supplies	61	61	—
Direct costs	84,701	84,701	—
Indirect costs	4,489	4,489	—
Total direct and indirect costs	89,190	89,190	—
Less offsetting reimbursements	—	(8,148)	(8,148)
Total program costs	\$ 89,190	81,042	\$ (8,148)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,042</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 26,532	\$ 26,532	\$ —
Test materials, supplies, and equipment	312	312	—
Pre-test and post-test coordination	56,858	56,858	—
Test administration	14,986	14,986	—
Reporting and recordkeeping	31,275	31,275	—
Total direct costs	129,963	129,963	—
Indirect costs	7,447	7,447	—
Total direct and indirect costs	137,410	137,410	—
Less offsetting reimbursements	—	(9,595)	(9,595)
Total program costs	\$ 137,410	127,815	\$ (9,595)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 127,815</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Pre-test and post-test coordination	\$ 60,006	\$ 60,006	\$ —
Reporting and recordkeeping	1,019	1,019	—
Total salaries and benefits	61,025	61,025	—
Materials and supplies:			
Test materials, supplies, and equipment	3,452	3,452	—
Total materials and supplies	3,452	3,452	—
Contract services:			
Test materials, supplies, and equipment	42,343	42,343	—
Total contract services	42,343	42,343	—
Total direct costs	106,820	106,820	—
Indirect costs	6,751	6,751	—
Total direct and indirect costs	113,571	113,571	—
Less offsetting reimbursements	—	(8,058)	(8,058)
Total program costs	<u>\$ 113,571</u>	105,513	<u>\$ (8,058)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 105,513</u>	
<u>Summary: July 1, 1997, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 36,909	\$ 36,909	\$ —
Test materials, supplies, and equipment	1,668	1,668	—
Pre-test and post-test coordination	319,934	319,934	—
Test administration	14,986	14,986	—
Reporting and recordkeeping	171,723	171,723	—
Total salaries and benefits	545,220	545,220	—
Materials and supplies:			
Test materials, supplies, and equipment	89,058	89,058	—
Total materials and supplies	89,058	89,058	—
Contract services:			
Test materials, supplies, and equipment	42,343	42,343	—
Total contract services	42,343	42,343	—
Total direct costs	676,621	676,621	—
Indirect costs	38,646	38,646	—
Total direct and indirect costs	715,267	715,267	—
Less offsetting reimbursements	—	(106,356)	(106,356)
Total program costs	<u>\$ 715,267</u>	608,911	<u>\$ (106,356)</u>
Less amount paid by the State ²		(135,275)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 473,636</u>	

¹ See Attachment 2, Finding and Recommendation.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Attachment 2— Finding and Recommendation July 1, 1997, through June 30, 2004

**FINDING—
Understated offsetting
reimbursements**

The district understated offsetting reimbursements by \$106,356 because it did not report any of the Standardized Testing and Reporting (STAR) Program apportionments received from the California Department of Education (CDE) for the review period.

The parameters and guidelines (section VII) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, services fees collected, federal funds and other state funds, shall be identified and deducted from the claim.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the review period, we determined that the district received \$137,101 from the CDE.

We determined the amount that should have been offset by multiplying the total CDE apportionment by the reimbursable mandate percentages based on test results published on the CDE STAR website. The district administered the following STAR tests in the review period: California Standards Tests (CST); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition (CAT/6); Spanish Assessment of Basic Education, Second Edition (SABE/2); and the California Alternate Performance Assessment (CAPA). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Based on the CDE's published test results, the reimbursable mandate percentages are as follows: 100% for FY 1997-98, 71.22% for FY 1998-99, 71.02% for FY 1999-2000, 68.61% for FY 2000-01, 70.38% for FY 2001-02, 69.85% for FY 2002-03, and 65.06% for FY 2003-04.

The following table summarizes the understated offsetting reimbursements for the review period:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
STAR Program apportionments:								
CDE apportionment	\$(35,189)	\$(39,159)	\$(11,927)	\$(13,127)	\$(11,577)	\$(13,736)	\$(12,386)	<u>\$(137,101)</u>
Mandate-related percentage	× 100%	× 71.22%	× 71.02%	× 68.61%	× 70.38%	× 69.85%	× 65.06%	
Mandate-related apportionment	(35,189)	(27,889)	(8,471)	(9,006)	(8,148)	(9,595)	(8,058)	(106,356)
Less offset CDE apportionment	—	—	—	—	—	—	—	—
Review adjustment	<u>\$(35,189)</u>	<u>\$(27,889)</u>	<u>\$(8,471)</u>	<u>\$(9,006)</u>	<u>\$(8,148)</u>	<u>\$(9,595)</u>	<u>\$(8,058)</u>	<u>\$(106,356)</u>

Recommendation

We recommend that the district ensure that all applicable reimbursements are offset against mandated program costs.